

Post Brexit - Changes to the VAT Return

On 31 December 2020, HMRC updated numerous VAT notices to help businesses prepare for the end of the Transition Period and our departure from the EU Single Market and Customs Union. One of the VAT notices updated by HMRC was 700/12 (How to fill in and submit your VAT Return). The updated guidance is summarised below and will of course also impact the VAT codes you use in accounting platforms such as QuickBooks, Xero or Sage. You can find further guidance on the VAT codes on their respective websites.

Terminology

The most significant change from 1 January relates to the movement of goods between Great Britain (GB) and the European Union (EU), and the additional issues associated with the treatment of Northern Ireland (NI) as a territory within both the UK and the EU. The table below summarises these changes.

Movement of goods	GB business	NI business
Goods from the EU	Import	Acquisition
Goods from outside the EU	Import	Import
Goods to the EU	Export	Dispatch
Goods sent outside the EU	Export	Export

Postponed VAT Accounting and C79

For goods imported into GB and goods imported into NI from outside the EU, there are changes to the way a business can decide to account for and pay import VAT. You can find further information [here](#).

VAT return boxes

There have been changes to the box titles on the UK VAT return. Although the VAT return retains its nine boxes, the transactions that are included within these boxes for supplies taking place after 31 December 2020 have changed. The precise nature of the changes also depends on whether the VAT registration includes business operations in NI.

- Box 1** *VAT due in the period on sales and other outputs.* You should continue to include any VAT due to HMRC in box 1 of the VAT return. If you decide to utilise the cashflow benefit of Postponed VAT Accounting (PVA), the import VAT payable should be declared in box 1. Supplies of services within the reverse charge will continue to be declared in box 1..
- Box 2** *VAT due in the period on acquisitions of goods made in NI from EU Member States.* From 1 January 2021, the only acquisitions you include in box 2 are acquisitions of goods from the EU to NI.
- Box 3** *total VAT due.* This box will continue to be the total of boxes 1 and 2.
- Box 4** *VAT reclaimed in the period on purchases and other inputs (including acquisitions from the EU).* VAT to be reclaimed as input tax will continue to be entered in box 4. If you are declaring import VAT via PVA, you will also reclaim the import VAT on the same VAT return via box 4, to the extent your business is entitled to recover this VAT. If you are reclaiming import VAT using a C79 (the import VAT certificate issued by HMRC), you will enter the import VAT amount stated on the C79 once received. Supplies of services within the reverse charge will continue to be reclaimed in box 4, again to the extent your business is entitled to recover this VAT.
- Box 5** *net VAT to pay to HMRC or reclaim.* This box will continue to calculate the difference between boxes 3 and 4 to determine if a payment is due to or repayment is due from HMRC.
- Box 6** *total value of sales and all other outputs excluding any VAT.* The net value of all supplies of goods and services should be included in box 6. This includes supplies of goods and/or services to both business customers and private individuals outside the UK.

Now, for tomorrow

- ☑ **Box 7** the total value of purchases and all other inputs excluding any VAT. The net value of all purchases of goods and/or services should be included in box 7. This includes reverse charge transactions.
- ☑ **Box 8** For all supplies of goods and related costs, excluding any VAT, to EU Member States made on or before 31 December 2020. Any supplies of goods up to 31 December 2020 by a UK business will be declared in box 8 and supplies of goods to EU business will be also declared on the EC sales list. Any supplies of goods by a GB business to the EU from 1 January 2021 will no longer be declared within box 8 and there is no longer a requirement to complete an EC sales list.

For supplies of goods and related costs, excluding any VAT, from NI to EU Member States made from 1 January 2021. From 1 January 2021, you will only enter the net amount in box 8 if you are a trading in NI and supply goods to EU Member States. Figures in this box must also be entered in box 6. You will also be required to complete an EC sales list.

- ☑ **Box 9** For acquisitions of goods and related costs, excluding any VAT, from EU Member States made on or before 31 December 2020. This will include the net cost of EU acquisitions (purchases) by a UK business up to 31 December 2020. Purchases of goods from outside GB will no longer be classed as acquisitions after 31 December 2020 and will not be declared in box 8.

For acquisitions of goods and related costs, excluding any VAT, from EU Member States to NI made from 1st January 2021. From 1 January 2021, only acquisitions of goods from an EU Member State into NI will be entered in box 9. Figures in this box must also be entered in box 7.

Accounting systems VAT codes

One of the most common questions from clients is what VAT code should be used on accounting systems like Xero, Sage and QuickBooks for sales of goods and services into and outside of the UK. Accounting systems have recently released updates detailing what codes should be input into systems for supplies of goods and services on or after 1 January 2021.

Should you be required to set up your own codes, the following transactions will be entered on the VAT return as show in the table.

Supply	VAT Rate	VAT Return
Supply of services outside the UK	Outside the scope of VAT	6
Supply of goods outside the UK	Zero rated, if it is a qualifying export	6
Supply of services received from outside the UK	No VAT charged but may be subject to the reverse charge	If reverse charge – boxes 1, 4, 6 and 7 If not reverse charge – box 7
Import of goods from outside the UK		PVA – Boxes 1, 4, 6 and 7 No PVA – Box 4 and 7 (when C79 received)

Contact Us



Alastair Wilson
Tax Partner
E: alastair.wilson@taitwalker.co.uk
T: 0191 226 8411



Andrew Fitton
Tax Director
E: andrew.fitton@taitwalker.co.uk
T: 0191 226 8363



Hydeam Sulton
Head of VAT & Indirect Tax
E: hydeam.sulton@taitwalker.co.uk
T: 0191 226 835

Tait Walker LLP trading as MHA Tait Walker is a member of MHA. MHA is an independent member of Baker Tilly International Limited, the members of which are separate and independent legal entities